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IN SEARCH OF THE BEST:
RECRUITING AND HIRING IN THE 1990s

- **Hiring Trends**
- **Turnover Trends**
- **Recruiting Trends**

Based on a study sponsored by

THE Olsten® CORPORATION

The Olsten Forum on Human Resources Issues and Trends
Westbury, New York

February 1991

KEY FINDINGS

Recruiting Woes Continue Despite Soft Economy

While a slow economy may be resulting in more layoffs and unemployment, human resource directors report that it's still just as tough as ever to find and recruit *qualified* employees. As a solution to this dilemma, many have been turning to temporary, part-time, or contract labor as a remedy to the problem.

These conclusions are drawn from a survey of members of The Olsten Forum on Human Resource Issues and Trends, a panel of North American human resource executives representing companies ranging in size from the *Fortune* 1000 to small businesses. The survey, conducted in December of 1990, finds that almost nine out of ten (88%) of the panelists report that the level of difficulty in recruiting qualified employees has remained the same or has increased over the past year. By comparison, only eight percent report that recruiting got easier. A total of 577 companies participated in the Olsten Forum survey, sponsored by The Olsten Corporation, based in Westbury, New York.

"Our findings underscore the fact that shortages of qualified employees will continue, regardless of whether the economy is slow or booming," says Stuart Olsten, president and chief operating officer of The Olsten Corporation. "This is a challenge that companies will continue to face this decade, and they will need to develop some aggressive and creative approaches to finding the people they need."

Companies are responding to this challenge in a variety of ways. The most popular approach, indicated by more than two-fifths (41%) of the companies, is to increase the use of part-time, contract, and temporary workers to accomplish tasks. Another 39% of the companies increased their help-wanted advertising. Other approaches mentioned include raising salaries (31%); recruiting from "non-traditional" sources, such as homemakers or retirees (25%); recruiting from a larger geographic area (25%); and enhancing benefits (21%).

Hiring trends. Three-quarters of the respondents stated that their level of hiring has increased or remained the same over the past year, and a like amount anticipate it will increase or remain the same in the year ahead. Hiring has increased the most among service and public/nonprofit organizations. Almost half of companies in the utility/transportation sector, however, report declines in their hiring levels.

The results also reflect regional economic trends. Companies in the southern United States showed the strongest hiring trend, while companies in the northeastern U.S. showed the greatest declines in their hiring levels.

Pre-employment screening. A majority of employers (51%) have or are considering drug testing, the survey finds. This kind of testing is most prevalent in the utilities/transportation/communications sector, where more than four out of five organizations require or are considering drug testing for their applicants.

In addition, more than three-fifths of companies have or are considering job-related skill testing as a condition of employment, and another 29% have or are considering personality/aptitude testing.

Approaches to recruiting. Almost all of the panelists report that their companies turn to newspapers and periodicals -- 92% look for new applicants through the want ads. Almost as many, 85%, get referrals through current employees. Other popular recruiting methods are going through temporary, employment, and employee search services and college placement offices, indicated by more than half of the respondents.

Turnover. Almost three-quarters (74%) of the respondents also indicate that their level of turnover has increased or remained the same over the past year. Positions in the area of clerical and data-entry work lead in turnover, followed by professional/technical, word processing, and data processing positions.

Replacement costs. One-third report that it costs less than $500 to replace a nonexempt (hourly) employee. This encompasses direct costs such as advertising, employment service fees, referral bonuses, travel, relocation, and recruiter compensation. Another 27% state that it costs between $500 and $1,000 per hourly employee. Just under a third (31%) report the cost of replacing an exempt (salaried) employee to be under $2,500, and one-quarter put the cost at between $2,500 and $5,000.

The retail and service sectors report the greatest replacement costs for non-exempt employees, with almost two-fifths of these companies reporting replacement costs exceeding $1,000. Manufacturing/construction companies bear the greatest costs for exempt hires, with 45% reporting more than $5,000 per employee.

PARTICIPANTS IN THE OLSTEN FORUM SURVEY SERIES

Demographically, members of The Olsten Forum represent a diverse range of companies from various industries, sizes of companies, and regions.

BY INDUSTRY GROUP

Manufacturing	29%
Services *(business services, consulting, health care, etc.)*	19%
Retail	10%
Banking/finance	9%
Insurance	9%
Public/nonprofit *(government, education, associations., etc.)*	8%
Utilities/transportation/communications	5%
Other	11%

BY ANNUAL REVENUES

Less than $50 million	41%
$50 to $100 million	17%
$100 to $500 million	27%
More than $500 million	15%

BY REGION

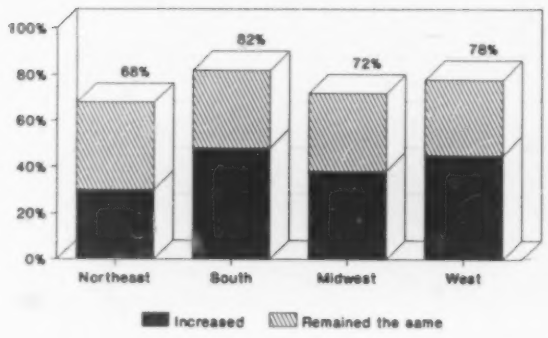
Midwestern USA (OH, IN, IL, MI, WI, MN, IA, MO, ND, SD, NE, KS)	42%
Western USA (CA, OR, WA, ID, MT, WY, CO, UT, NV, AZ, NM, AK, HI)	24%
Northeastern USA (ME, VT, NH, MA, RI, CT, NY, NJ, PA, DE, MD, DC, VA, WV)	18%
Southern USA (KY, TN, NC, SC, GA, FL, AL, MS, LA, AR, OK, TX)	15%
Canada (all provinces)	1%

Hiring Trends

Two-fifths (40%) of the companies surveyed saw an increase in hiring over the past year. More than a third (35%) say that hiring has been the same, and another 23% saw a decrease.

Looking at industry groups, the greatest increase was experienced in the service sector, with 46% reporting a higher level of hiring. The greatest decrease, 47%, was registered in the utility/transportation sector.

REGIONAL HIRING LEVELS
(Over the Past 12 months)



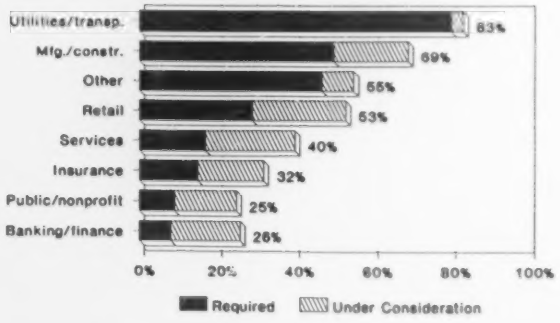
Percent of Companies in Each Category

Most of the hiring action over the past year has been in smaller companies. Eight out of ten companies with 100 employees or fewer increased or retained their hiring levels, compared to six out of ten of the largest companies.

Regionally, the hiring picture was brightest in the southern region of the United States, with 48% of companies reporting increased hiring levels. Companies in the northeastern states had the dimmest prospects, with only 30% of the companies reporting increased hiring.

For the coming year, slightly more than half of the respondents (51%) predict that their hiring levels will remain the same. Another 25% foresee a decrease, and 21% foresee an increase.

DRUG TESTING - BY INDUSTRY
(Required and Under Consideration)



Percent of Companies in Each Category

PRE-EMPLOYMENT TESTING

A majority of employers, 51%, have or are considering drug testing, the survey finds. One-third (33%) of the companies have a substance-abuse testing program in place, and another 18% have such a program under consideration.

This kind of testing is most prevalent in the utility, transportation, and communications sector, where eight out of ten require drug testing, and another three percent have it under consideration. Exactly half of manufacturing/construction companies have drug testing, and another 19% have it under consideration. Almost half of all other categories of companies have testing in place, along with 29% of retail organizations, 17% of service businesses, 15% of insurance companies, nine percent of public/nonprofit organizations, and eight percent of banking/finance companies.

In addition, almost half (48%) of the companies surveyed have standard job-related skill testing, and 13% are considering such testing. Almost three-quarters of insurance companies have such testing, followed by seven out of ten of the utility, transportation, and communications companies participating in the survey.

Fifteen percent of the companies surveyed have personality/aptitude testing for prospective employees, and another 14% are considering such testing.

WHO TESTS FOR WHAT

	Job-skills Testing	*Personality/Aptitude Testing*	*Substance-abuse Testing*
Insurance	74%	20%	15%
Utility/trans./commn.	70%	17%	80%
Public/nonprofit	64%	16%	9%
Retail	53%	25%	29%
Services	52%	15%	17%
Banking/finance	44%	10%	8%
Manufacturing/constr.	35%	11%	50%
Other	31%	13%	47%

EXPERIENCE HARDEST TO FIND

One-quarter of the companies agree that relevant experience is the quality hardest to find among applicants, and 24% cite appropriate technical skills. Another 12% state that enthusiasm and motivation are rare qualities.

"We look for good education -- period!" says Robert W. Goddard, director of publications in the human resources development department at Liberty Mutual Insurance Group, Dover, New Hampshire. "Education presupposes good oral and writing skills. We mostly hire entry-level people, and all we need is good education for either technical or support staff jobs. For example, we hire people from almost every conceivable educational discipline for insurance work -- and we do the training!"

Turnover Trends

More than one-fifth (21%) of the respondents say that their level of turnover has increased, and more than half (53%) say it has remained the same over the past year. The highest percentage increase in turnover (30%) was reported in the utility, transportation, and communications and nonprofit/public sectors. Insurance companies registered the greatest stabilization in turnover, with 28% of these companies reporting declines in their turnover rates.

Companies in the western United States experienced the greatest increase in turnover, with 30% reporting a jump, and 52% stating that it remained the same. Twenty percent of respondents in the southern region of the U.S. saw an increase in turnover, along with 19% of midwestern companies. The northeastern U.S. saw the largest decline in turnover, with 28% of the responding companies reporting a decline and 16% reporting an increase.

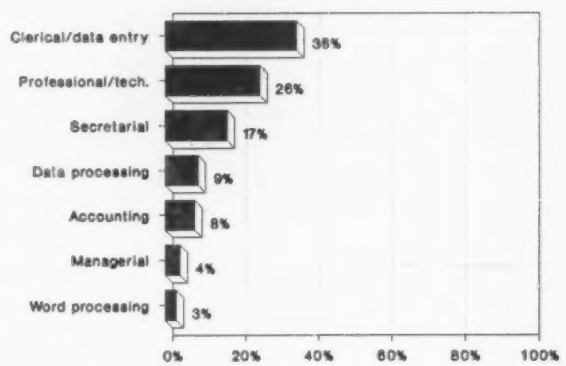
Of course, the level of turnover has a direct impact on the hiring process. "We have very little turnover, therefore the hiring process becomes the beginning of what is likely to become a long-term relationship," says W. Thomas Gruca, human resource manager for Alumax Mill Products in Morris, Illinois. "So, we will take the time necessary to find the right person, rather than to quickly fill a slot."

POSITIONS WITH THE GREATEST TURNOVER

Positions in the area of clerical and data-entry work lead in turnover, with 36% of companies citing these positions.

Professional/technical personnel are cited by 26% of the panelists, and secretarial positions have high turnover among 17% of the respondents. Data processing turnover is high in nine percent of the companies, and eight percent report high turnover in accounting positions.

HIGH-TURNOVER POSITIONS



Percent of Companies in Each Category

GREATEST REASON FOR TURNOVER

The primary reason employees left their companies last year was to take another job, as indicated by 73% of the companies surveyed. Five percent cited staff reductions, and four percent cited dismissals, retirements, or relocations.

Recruiting Trends

Employers report that qualified professional/technical personnel are the toughest hires, with 37% reporting recruiting difficulties for this category. Another 28% are having trouble locating secretaries, and 18% are having difficulties recruiting clerical/data entry personnel.

"Our problem is recruiting salespeople and engineers having industry experience," says Andrew Gardner, chief financial officer for Circuit Research Labs, Inc., in Tempe, Arizona. "These positions are filled mostly through referrals from customers and trade contacts on a national basis."

But, for some companies, the reverse is true, with recruiting for clerical and secretarial personnel to be tougher going than looking for specialized technical personnel. "Our scientists are usually found through networking because of our specialized technology," says Sheila M. Walker, director of human resources for Vestar, Inc. in San Dimas, California. "We recruit laboratory assistants through ads because we can train candidates with basic chemistry skills. Clerical, especially executive secretary, has been tough -- serious deficiencies exist in basic math, English, spelling, and punctuation skills, as well as computer literacy."

Differences vary across industry lines. Among the banking/finance and public/nonprofit organizations, secretaries are the most in demand. In fact, more than half of all banking/finance organizations, 54%, and 48% of public/nonprofit organizations report difficulties in recruiting secretaries.

Two-fifths of the respondents (40%) report that their degree of difficulty in recruiting qualified employees has increased over the past year, and almost half (48%) say it has remained the same. In contrast, eight percent report that it has decreased. This trend is most pronounced among banking/finance organizations, where half report increased recruiting difficulties. The public/nonprofit sector has seen the least change, with only a quarter of these organizations experiencing an increase in recruiting difficulties.

Almost half (46%) of companies in the southern region of the United States report that recruiting has grown more difficult, compared with two percent who say the difficulty has slackened over the past year. The situation is similar in the Midwest, where 45% of companies report that recruiting has grown more difficult, compared to seven percent who report an easing.

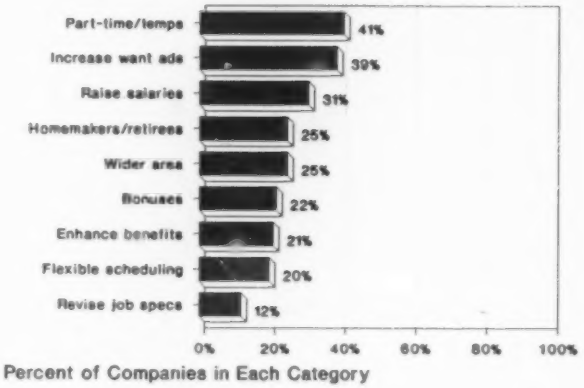
WHERE THE RECRUITING DIFFICULTIES ARE

	Difficulties Increased	*Difficulties Remained the Same*	*Difficulties Decreased*
Banking/finance	50%	40%	10%
Retail	49%	44%	5%
Services	43%	41%	11%
Utility/trans./commn.	43%	57%	0%
Manufacturing/constr.	38%	47%	9%
Insurance	33%	61%	2%
Public/nonprofit	25%	57%	9%
Other	37%	50%	11%

ALLEVIATING EMPLOYEE SHORTAGES AND RECRUITING DIFFICULTIES

The most popular method for overcome recruiting difficulties is to make use of the flexible work force. More than two-fifths (41%) of the employers report that they have increased their use of part-time, contract, and temporary employees as a means of staffing their companies. The second most-used option is to increase help-wanted advertising, as indicated by 39% of the respondents. Just under a third of the companies (31%) have increased their salaries to attract employees.

MEASURES TO ALLEVIATE SHORTAGES



Percent of Companies in Each Category

Slightly more than one-fifth (22%) of the respondents offer bonuses to employees for recruiting new employees. Awards range from $50 up to $1,000 offered by one northwestern computer company.

Approaches vary from industry to industry. More than half of the banking/finance companies participating in the survey (54%) have taken to recruiting from "non-traditional" sources for employees -- homemakers and retirees. Among nonprofit/public sector organizations, the preferred approach is to raise salaries, as indicated by almost half (48%) of respondents in this area.

Some innovative approaches mentioned by panelists include:

- Asking employees to return to college alma maters to help recruit graduates.
- Using temporary agencies to bring in pre-screened candidates.
- Contacting schools and community groups.
- Watching the news for layoffs in the local area, then contacting the company.
- Establishing contacts with spouse relocation assistance organizations.
- Networking with other companies for referrals.

Retention is a key strategy for many companies. "Our emphasis is on retaining current employees, since our largest employee group, ages 16-24, is rapidly shrinking. We've enhanced our benefits and strive to make our restaurants fun places to work," says Margot McManus of the Consul Restaurant Corporation in Minneapolis, Minnesota.

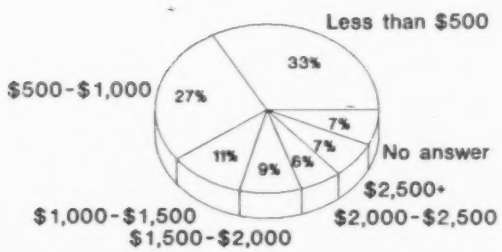
"We start by promoting from within and training where appropriate," says Jack Eskew, personnel supervisor of Star Building Systems in Oklahoma City, Oklahoma.

Some companies are looking well-ahead into the future for their staffing needs. One company formed a special task force, called "Workforce 2000," to offer guidance to primary and secondary school students. The group's goal is to urge students to "remain in school and become as technically proficient as possible," reports James Coleman, Jr., director of human resources for Fru-Con Construction Corporation in Ballwin, Missouri.

Widening the geographic scope of recruiting has been necessary for a quarter of the companies responding to the survey. "We have expanded recruiting to a larger geographic area for both exempt and non-exempt positions," says Robert E. Domek, assistant vice president of human resources for Madison Gas & Electric Company in Madison, Wisconsin.

You must consider relocation benefits as well, a human resources manager for a California-based pharmaceutical company, points out. "We access national recruiting pools for a high number of positions, necessitating relocation to a high-cost-of-housing area. We have initiated a housing benefit to assist first-time California home owners with a second mortgage."

THE COST TO REPLACE
(For a nonexempt employee)



Percent of Companies in Each Range

THE COST TO REPLACE

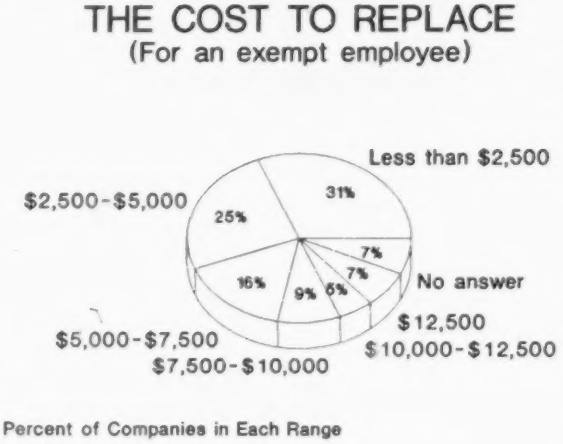
Nonexempt employees. A majority of companies report that the cost to replace a nonexempt (hourly) employee is less than $1,000. This encompasses direct costs such as advertising, employment service fees, referral bonuses, travel, relocation, and recruiter compensation.

More specifically, a third report that the cost is less than $500, and 27% report that the cost ranges between $500 and $1,000.

When examining the cost-per-hire based on company size (in terms of number of employees), replacement costs increase as the size of the company increases. Almost seven out of ten (69%) companies with 100 or fewer employees pay less than $1,000 to recruit and hire a new employee, compared to slightly under half (49%) of companies with more than 10,000 employees.

Retail organizations report the highest replacement costs for hourly employees, with 39% reporting that the cost to replace an employee exceeds $1,000. This is followed closely by companies in the services category, with 38%. Banking/finance organizations enjoy the lowest replacement costs, with 72% reporting costs below $1,000.

Exempt employees. A majority of companies (56%) report that it costs less than $5,000, on the average, to replace an exempt (salaried) employee. More than three out of ten (31%) report that the cost is less than $2,500, and one-quarter say the replacement cost is between $2,500 and $5,000.



Almost half (45%) of manufacturing/construction companies pay more than $5,000 to replace exempt employees, the highest of all the industry groups. As with the nonexempt category, banking/finance tend to pay lower costs, with 44% of organizations in this group paying $2,500 or less to replace a salaried employee.

As with nonexempt employees, the larger the company, the more paid out in recruiting and hiring costs. Almost three-quarters (72%) of the smallest businesses in the survey (100 or fewer employees) pay under $5,000 for replacing salaried employees, compared with four out of ten (42%) of the large corporations.

WANT ADS TOP CHOICE FOR RECRUITMENT

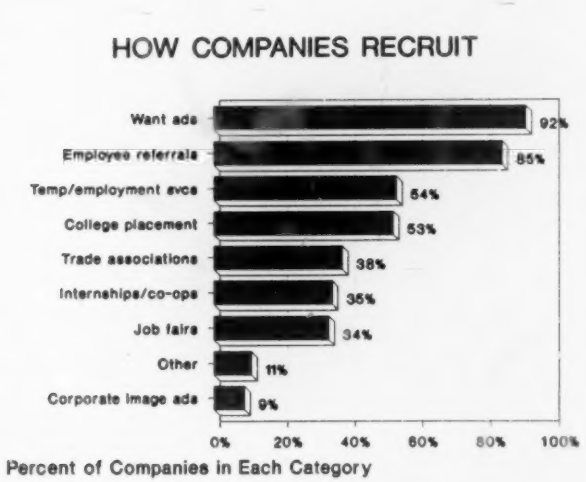
Want ads are the most popular recruiting method, with more than nine out of ten using this approach. As the chart on the next page shows, referrals by current employees is the second-most popular approach, followed by the use of temporary, employment, and employee search services. College placement offices were also mentioned as popular sources of potential employees. This is also the case across industry lines.

Many of The Olsten Forum members say that they use a mix of approaches to recruit employees. And, in the process, many cite their company's overall philosophy toward attracting and retaining employees.

"We still depend on traditional sources of referral for *locating* qualified employees -- employee referrals, employment agencies, advertising, etc.," says Cynthia K. Hendricks, personnel manager for Old Guard Mutual Insurance Company in Lancaster, Pennsylvania. "But, we're now more attentive to the *quality* of our interviewing, and, upon employment, our new employee orientation."

"To secure the best qualified candidates through all available means, both traditional and non-traditional, we try to leave no stone unturned," says Randy Zierfuss, first vice president and human resources director of Capitol Federal Savings in Topeka, Kansas.

"We attempt to use every source available," says Jack Friesz, assistant vice president, human resources for The Boatmen's National Bank in St. Louis, Missouri. "This includes help-wanted ads, employee referrals, job fairs and community exposure to special groups along with our general corporate advertising. We try to use as many 'free' sources as possible to drive down our cost per hire. We recognize that expense dramatically impacts the organization's bottom line."



John Marcelliano, manager of human resources for Seaboard Surety Company in Bedminster, New Jersey, sums it up this way: "It takes a lot of hard work. We have to work a lot harder, longer, and smarter to find qualified candidates than we did only a few years ago."

SPECIAL PROGRAMS

More than two out of five (42%) of the companies surveyed have programs to actively seek out or recruit people from ethnic or minority groups. Another one-quarter of the companies recruit disabled people, and another quarter recruit women re-entering the work force. Out in the forefront of efforts to recruit minorities are nonprofit/public sector organizations (64%) and companies in the utilities/transportation sector (60%).

GETTING INTERVIEWS

The traditional resume with cover letter ranks highest as the method for getting an interview with companies, as indicated by 62% of the panelists.

THE OLSTEN CORPORATION

The Olsten Corporation, one of the leading providers of temporary personnel in North America, is celebrating 41 years of service in 1991. Serving a base of over 100,000 client accounts, the corporation, under its trade names Olsten Temporary Services, Olsten Health Care Services, and Olsten Permanent Placement Services, maintains a network of more than 750 owned, franchised, and licensed offices located in all 50 states, the District of Columbia, Canada, and Puerto Rico. Together, these offices employ over 325,000 temporary workers annually for business, industry, government, health care facilities, and home health care markets.

Many of its clients, including the vast majority of the *Fortune* 1000 companies, require temporary help with specialized skills. Olsten meets these needs with nine distinct service divisions: office services, office automation, professional accounting, light industrial, legal support, records management, technical services, marketing support, and health care. Permanent placement services are provided in select markets as well for the following areas: accounting, finance, sales/marketing, data processing, and office services.

The Olsten Corporation [AMEX: OLS] is headquartered in Westbury, New York.

THE OLSTEN FORUM ON HUMAN RESOURCES ISSUES AND TRENDS

The Olsten Forum on Human Resources Issues and Trends is a national panel of human resources executives formed to monitor the new challenges facing today's organizations. The panel consists of vice presidents and directors of human resources for companies ranging in size from *Fortune* 1000 companies to small businesses.

Topics to be covered in future reports include the following: controlling human resource costs, educating and training the work force, staffing strategies, work and family issues, and new work schedules.

The survey series is conducted for The Olsten Corporation by Joseph McKendrick of The Center for Workplace Issues & Trends, based in Horsham, Pennsylvania. If your company is interested in participating in The Olsten Forum, contact The Olsten Forum, P.O. Box 510, Horsham, PA 19044.

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